



Doing Business in Israel:

2011 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Israel

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Market Overview

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- The U.S. is Israel's largest single country trade partner. Since signing a Free Trade Agreement in 1985, Israel–US trade has grown eight-fold. Since 1995 nearly all trade tariffs between the U.S. and Israel have been eliminated.
- 2010 GDP growth was 4.5%, following growth of 0.8% in 2009. The economy grew 4.2% in 2008; 5.3% in 2007; 5.7% in 2006 and 4.9% in 2005.
- Israel's GDP in 2010 was about \$225 billion.
- Per-capita GDP in Israel contracted by 2.6% in 2010 to \$28,500, following a decline of 1.1% in 2009 and an increase of 2.4 % in 2008.
- Israel's 2010 inflation rate was 2.7%. This follows five years of low inflation, including 3.9% in 2009, 3.5% in 2008, 2.1% in 2007, slightly negative inflation in 2006, and 1.3% in 2005.
- Israel's 2010 unemployment rate was 6.7%, declining from 7.5% in 2009. Israel's unemployment was 6% in 2008 and 7.3% in 2007, 8.4% in 2006 and 9% in 2005.
- Exports of U.S. goods to Israel in 2010 were \$6.7 billion. In 2009, exports of U.S. goods to Israel totaled US\$5.8 billion.
- U.S. imports from Israel in 2010 totaled \$18.5 billion. U.S. imports from Israel in 2009 totaled \$16.8 billion.

Market Challenges

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- Israel is a mature market in many sectors and U.S. companies will face significant local and international competition.
- Agriculture trade regulations, IPR protection weaknesses and certain technical standards are non-tariff barriers.
- The political and security environment is tense because of the geopolitical neighborhood.

- The business environment and style will seem familiar to Americans, though dress may seem more informal and personal relationships sometimes play a greater role.

Market Opportunities

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- Hi-tech and defense dominate Israel's trade numbers, and Israel remains a global center for hi-tech design and R&D. Hi-tech continues to provide opportunities for U.S.-Israel commercial partnerships, specifically in ICT technologies, safety and security equipment and services, natural gas and renewable energy technologies, defense equipment, medical technologies and biotechnology products. Power generation and education/training also represent other good opportunities.
- U.S.-Israeli commercial linkages often consist of U.S. firms providing electronic inputs which Israeli firms integrate into final products that are often re-exported, and vice versa.
- Road technology and infrastructure projects could offer millions of dollars worth of export opportunities for U.S. firms over the next five years, especially since Israel adopted U.S. standards in intelligent transportation systems.

Market Entry Strategy

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Distribution methods vary by type of product.

- Commissioned Agents: used mainly for industrial equipment, raw materials and commodities.
- Non-Stocking Agents: used mainly by manufacturers.
- Stocking Agents: used mainly for high volume items.
- Importers/distributors: used often for consumer goods.
- Franchising: since its introduction to Israel in the mid-1980s, franchises/brand licenses have increased in popularity. ACE Hardware, Office Depot, Re/MAX, McDonalds, Toys-R-Us, UPS, FedEx all operate as franchisees/licensees in Israel.

Direct marketing is fairly common.

- Door-to-door salesmanship is uncommon in Israel and is considered a nuisance.
- Cable and satellite TV offer shopping channels.
- Direct marketing is common through mail order booklets that are distributed monthly by credit card companies and through the Internet. An "opt-in" "spam" law was introduced to Israel in late 2008. Companies can only send individuals advertising e-mails ("spam") if the individual agrees in advance. Political and charity mailings are exempt.
- Telephone marketing is increasingly common, but with mixed results.
- Internet use in Israel is widespread and represents a good marketing avenue.

The Government of Israel encourages both joint ventures and licensing.

- Joint ventures are the most popular methods of cooperation for Israeli firms, especially in technology-related industries.
- Israeli businesses prefer obtaining five-year licensing agreements with automatically renewable clauses that extend the agreement for another five years.
- Manufacturing under licensing agreements is common in Israel.

- Israeli businesses prefer licensing agreements in which the licensor takes equity with the licensee.
- The norm for royalties is 4-5% of turnover. Higher rates are common for luxury articles, author's fees and specialized machinery.
- A 10-15% withholding tax on royalties and fees is often deducted at the source.
- Licensors may repatriate royalties through an authorized bank, and are entitled to claim an income tax deduction on royalties and fee payments.
- U.S. companies should seek advice from a respected law firm and accounting firm when figuring tax liabilities.

The United States and Israel have signed a tax treaty to avoid double taxation.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

[U.S. Department of State Background Notes](#)
(<http://www.state.gov/r/pa/ei/bgn/3581.htm#political>)

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Using an Agent or Distributor

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Partnering with a local representative who has good industry contacts, proven reliability, loyalty, technical skills and after-sales service capabilities is important for selling and maintaining a continued presence in Israel. U.S. companies need to be aggressive in their pursuit of business opportunities and maintain an active in-country presence.

Israeli industry generally prefers to purchase goods through an agent that will be able to provide after-sales service. Government and government-owned buyers will often require an agent in Israel. The majority of agents have exclusive representation rights because of Israel's small size. Most U.S. heavy industrial equipment exporters to Israel use a commission agent who conducts promotional campaigns and active buyer calls.

The most common approach used by exporters of light industrial equipment and consumer goods is to obtain a local importer/distributor. Distributors will import on their own account, and carry sufficient stock to satisfy ongoing demand or use for demonstration, maintaining their own sales organization, supplying spare parts and, if applicable, maintaining a service division. Local representatives often provide legal support for ongoing operations.

In concluding a representation agreement U.S. companies should be sure to include:

1. Contract duration;
2. Exclusivity (if applicable);
3. Compensatory amount as a function of contract duration in case of termination of exclusivity;
4. Promotional input by agent and volume of sales; and

5. Dispute settlement mechanism, either by arbitration, or by assigning a tribunal (preferably U.S.).

Establishing an Office

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U.S. firms can operate in Israel as a foreign company, a foreign partnership or by establishing a branch office. There are no restrictions on foreign ownership of Israeli companies or securities. Israel allows repatriation of foreign investment capital and profits. Prior to establishing an office in Israel, U.S. firms should evaluate tax ramifications under the [U.S.-Israel Agreement on the Prevention of Double Taxation](#). Possible higher corporate and income taxes in Israel should be weighed against other expenditures and marketing advantages.

U.S. businesses interested in establishing an office in Israel are required to register with the Registrar of Companies at the Ministry of Justice. The business must file a copy of documents certifying that it is incorporated in the United States, state its objectives and rules, and list its directors and the name of its Israeli representative. If these documents are in English, they must be accompanied by a Hebrew translation. There is no requirement for the managers or directors of the company to be Israeli citizens or residents. However, U.S. representatives assigned to manage the Israel office must first obtain work permits from the Employment Service Division of the Ministry of Industry, Trade & Labor. Authorization from the Ministry and, if applicable, the Investment Center, is necessary before the Ministry of Interior can issue a visa. U.S. businesses establishing an office in Israel are advised to consult with a local accounting or law firm.

Franchising

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Israel's franchising industry has developed rapidly; more than 600% over the last decade. The annual growth rate stands at 20% and has remained constant even through the economic down turn of 2008-2009. Israel has about 350 local franchisors that together operate over 10,800 branches. In addition, there are more than 100 foreign franchises currently in Israel, of which 60% are European and 30% American.

The food industry represents 48% of the total franchises market; of which 88% are local franchises and only 12% are foreign franchises. However, American popular food-chains have taken a prominent place in the Israeli market, including McDonald's, KFC, Pizza Hut, Domino's Pizza and others. However, other successful foreign franchises have failed to settle in the Israeli market and left the market because of their inability to adjust their products/services to the Israeli Market.

Approximately 38% of the total franchises operating in Israel operate in merchandising, 80% of which constitutes the apparel industry. The remaining 20% are general consumer goods. Despite the fact that European franchises have become very dominant in the apparel industry, there are a number of major American brands that have positioned themselves successfully; brands such as Tommy Hilfiger, Ralph Lauren, Gap and American Eagle have become common. In the area of general consumer goods other franchises have succeeded in Israel, for example Toys-R-Us, ACE Hardware and others.

The remaining 14% of the total franchises are gathered from general services such as, real-estate and brokerage, educational institutes etc. Most common are: Re/Max, Realty Executive, ERA and Century 21, Wall Street English, Berlitz and others.

Because Israel has no an official centralized legislation for franchises, the rules and regulations are primarily derived from Israeli contract law and intellectual property legislation. In 2006, the Franchise Promotion Center, a public institution that promotes franchising in Israel, published a 'Code of Ethics' for the franchise industry. Though not a binding law, but a voluntary code, many franchisors have already provided their support and have used it to set new standards in the franchise industry. For more information about the 'Code of Ethics' please visit: www.franchise.org.il

Direct Marketing

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Direct marketing in Israel picked up significantly in 1992, with the introduction of cable TV and a home-shopping channel. Direct marketing is common also via mail order inserts distributed by credit card companies and through the Internet. Door-to-door sales are uncommon in Israel and considered a nuisance, while telephone marketing is rare and has had disappointing results. Israeli consumers enjoy shopping as a popular pastime; however, direct marketing and Internet sales play a small role in relation to total retail sales.

Joint Ventures/Licensing

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Joint ventures are one of the most popular methods of cooperation for Israeli firms, especially in technology-related industries. Manufacturing under licensing agreements is also common in Israel. The Government of Israel encourages both methods of operation. Chapter 6 of this guide provides further information on investing in Israel. Israeli businesses strive to obtain licensing agreements for a five-year period, with an automatically renewable clause that would last for another five years. They prefer agreements in which the licensor takes equity with the licensee.

The norm for royalties is 4-5% of turnover, although higher rates are common for luxury articles, author's fees, and for specialized machinery. A 10-15% withholding tax on royalties and fees is often deducted at the source even though the actual payment of this amount of tax by the representative is not clear. The licensee may repatriate royalties through an authorized bank by producing a statement from a certified accountant. The licensee is entitled to claim an income tax deduction on royalties and fee payments. It is advisable to seek advice from a respected law firm and accounting firm when trying to calculate tax liabilities. The U.S. and Israel have signed a [treaty](#) to avoid double taxation.

Selling to the Government

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Israel is a signatory to the WTO government procurement code. Under the 1993 Public Procurement Law, all Government of Israel (GOI) entities and government-owned companies are required to procure goods or services by issuing a tender. In 1995, the Knesset approved the Preference for Israeli Products regulations and the Mandatory Commercial Cooperation regulations.

The "Preference for Israeli Products" regulations stipulate that a 15% preference may be given to Israeli manufacturers for certain items exempted by the WTO and for products with at least 35% Israeli content and with a value not exceeding US\$500,000. Israeli manufacturers in "National Priority Zones" receive an additional 5-15% advantage. "Mandatory Commercial Cooperation" requirements are an integral part of each international tender document valued at \$5,000,000 or more. The regulations require foreign companies to enter into offset agreements. For civil contracts the value of the offset commitment is 20% of the contract value for companies in countries that are signatories to the Government Procurement Agreement (GPA) of the WTO and 35 percent for other companies. The offset for defense contracts is 50% of the contract value. While the foreign firm is required to make every effort to fulfill its offset obligations, there is no penalty connected with a failure to do so. However, due to the importance the GOI attaches to commercial cooperation, failure to fulfill one's obligations will almost certainly result in a lack of success in future tenders.

[The Industrial Cooperation Authority \(ICA\)](#), a division of the Ministry of Industry, Trade & Labor, is responsible for negotiating and monitoring the implementation of offset agreements. The agreements may be for local subcontracting, investment in Israel, technology transfer, R&D contracts, or procurement of Israeli products. The first four options are preferred because of their potential long-term impact on the Israeli economy. By court ruling, the use of industrial cooperation as a factor in the award process is not allowed. However, in the competitive Israeli market, the industrial cooperation arrangements made by foreign companies play a decisive role in the competition. U.S. companies interested in selling to the GOI are strongly advised to appoint a well connected local agent to assist in dealing with the Israeli bureaucracy. In public tenders for large projects, in which the public entity is looking for involvement of foreign companies, the tendering party has several tender options:

- Open International Tender, requiring the foreign bidder to partner with a local firm, or use local subcontractors.
- Closed International Tender, following an open or closed pre-qualification process.
- Open or Closed National Tender, requiring Israeli bidders to team up with foreign companies.

As a result of this bidding process, foreign companies will not always be aware of major tenders. U.S. companies are advised to contact the [U.S. Commercial Service in Tel Aviv](#) to obtain information on upcoming projects and how best to position themselves.

Distribution and Sales Channels

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Distribution methods vary by type of product. For industrial equipment, raw materials and commodities, manufacturers use non-stocking commissioned agents, while stocking agents represent high volume items. Agents will often insist on exclusivity due to the small size of the country. Most consumer goods are sold through importers and distributors, but increasingly large retail chains and department stores import directly without intermediaries. In most cases, distribution firms serve the entire country.

Roughly 40% of Israel's 7.5 million people are concentrated in the greater Tel Aviv metropolitan area, Israel's commercial and financial center. Other major concentrations

of the population are the Haifa metropolitan area (15%), a major port city and center for the petrochemical and high tech industries, and Jerusalem (11%). Almost all goods are imported through Israel's two Mediterranean ports, Haifa in the north and Ashdod in the south, and through Ben Gurion International Airport. These ports have good transportation links to the rest of the country. While most companies are headquartered in the Tel Aviv or Haifa metropolitan areas, a growing number of firms maintain branches, showrooms, or service facilities in Jerusalem and Beer Sheva.

Consumer malls and shopping centers are popular in Israel. Over 200 malls and shopping centers exist and others are planned. Many American specialty shops, chain stores, and franchises have their outlets in malls and shopping centers. Key to success is offering an increasing variety of new products and services to the Israeli consumer.

Selling Factors/Techniques

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For first-time exporters to the market, it is important to note that distinct cultural differences between Israel and the United States may in some cases dictate changes in selling, advertising, and marketing. Although many strategies used by firms in the United States can be equally effective in Israel, U.S. companies are advised to not automatically assume that selling in Israel is the same as selling in the domestic U.S. market. Companies should carefully research the implications of promotional activities prior to their implementation in Israel.

Electronic Commerce

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According to the Israeli Ministry of Industry, Trade and Labor (MOITAL), Internet use in Israel is widespread and increasingly used for marketing and sales. An estimated 5.2 million Israelis, or 70% of the population, regularly accesses to the Internet. The Journal of e-Commerce ranks Israel 7th in the world in terms of broadband penetration (77%). Like other developed countries, e-Commerce is represented by a balance of B2B and B2C sites. Israel has a variety of B2C online stores, banking and bill payment sites and increasingly, government services. Companies are using B2B models to exchange documents, catalogues, and even complete deals. MOITAL estimates that e-commerce in Israel generated over US\$700 million in 2008, and roughly 850,000 Israelis, 14 years and older, made online purchases during that year. (Importantly, 30% of Israeli's are 14 years old or younger, by far the highest rate of all developed countries, promising even greater broadband and e-commerce use for many years to come.) Major e-Commerce categories include travel services (36%), entertainment electronics (30%), computers & electrical products (29%), photos, books and games (23%), and digital software and various files (19%). The Internet is also heavily used by Israelis for social networking, information gathering and news. According to a recent TNS Teleseker report, 68% of Israeli Internet users have their own social networking page like Facebook, while 7% use Twitter. 87% of users read their news online and 95% find information online. .

Trade Promotion and Advertising

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Aggressive product promotion and advertising are effective tools in Israel, especially for consumer goods, where brand image is important and U.S. products face fierce competition from local and European suppliers. There are several effective means of advertisement; through commercial television and radio. Channel Two is a commercial

Israeli TV station broadcasting nationwide and is permitted by law to carry private TV commercials, while state-owned Channel One carries sponsored advertising by public corporations. Some Israeli and internationally broadcast cable stations also carry advertisements. The state-owned Kol Israel (the Voice of Israel) radio station broadcasts commercial ads via two of its channels. In addition, 13 privately owned and authorized regional radio station operators accept commercial ads.

Pricing

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Israel is a highly competitive market and price is a key factor in purchasing decisions by Israeli companies and consumers. Presenting U.S. products as high quality at fair market prices is a good long-term sales strategy. Distributors prefer exclusivity and a special pricing clause should be incorporated into representation contracts. Israel's VAT is 16%. The VAT is charged on virtually all services and products, including imports, sold in Israel (except fresh fruits and vegetables). The VAT on imports is levied on the CIF landed cost plus purchase tax. VAT is recovered by the importer upon resale of the goods and is ultimately paid by the consumer. Israel levies purchase taxes on many consumer goods. The GOI reduced or eliminated the tax on more than 600 items in 2000, including televisions, washing machines, electrical appliances and cosmetics. Rates that had ranged from 25-85% were reduced to 5-45%. Some rates were further reduced in 2003. Purchase taxes up to 90% on vehicles, fuel, tobacco and liquor were left unchanged.

Sales Service/Customer Support

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The Ministry of Industry, Trade & Labor requires that all businesses provide adequate after-sales service and customer support. Regulations exist that oblige local distributors to provide customers with full technical support for a period of up to ten years. To increase competitiveness in Israel, U.S. businesses should include a clause related to after-sales service and client support in their contracts with local representatives.

U.S. firms should ensure that their local representatives receive adequate and ongoing customer service training and technical support. The time between a product failure and the time to repair is one of the main issues affecting purchasing decisions by Israeli companies and government-owned entities. Providing reliable, long-term, after-sales service is the key to successful sales of most products and services.

Protecting Your Intellectual Property

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Israel is a member of the WTO and the World Intellectual Property Organization (WIPO). It is a signatory to the Berne Convention for the Protection of Literary and Artistic Works, the Universal Copyright Convention, the Paris Convention for the Protection of Industrial Property, and the Patent Cooperation Treaty. Israel was obligated to implement the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) by January 1, 2000. The United States continues to encourage Israel to accede to the WIPO Copyright Treaty and the WIPO Performance and Phonograms Treaty (commonly known as the WIPO Internet Treaties), particularly in view of the importance of Israel's high-technology software and telecommunication industries.

In February of 2010, Israel reached agreement with the U.S. to modify its Intellectual Property laws to address shortcomings in its treatment of new pharmaceutical products related to data exclusivity, patent term extension and publication of patent applications. Israel has yet to enact the modifying legislation and there are industry concerns that the draft legislation under consideration falls short of the terms of the 2010 agreement.

Israel's data exclusivity provisions provide data protection periods that fall far short of the periods provided in OECD-level economies, as well as other countries in the Middle East. Furthermore, even during these truncated periods of protection, generic companies are not prohibited from relying on the undisclosed test data of U.S. companies to get approvals for the export of the generic product. Research and development, as well as clinical trial expenditures made by international pharmaceutical companies, have fallen in recent years as companies have moved activities to countries with more favorable data protection regimes.

The current law, passed in 2005, curtailed existing pharmaceutical patent term adjustments granted to compensate for delays in obtaining regulatory approval of a drug, further weakens protections for intellectual property of research-based pharmaceutical companies in Israel. The law creates numerous bureaucratic obstacles for patent holders who wish to apply for a patent term extension and also applies retroactively to all pending applications for patent term extensions and already granted patent term extensions.

As a result of Israel's intellectual property regime deficiencies, it was placed on the Special 301 "Priority Watch List" in 2005. Recently, the U.S. and Israel entered into February 2010 agreement to modify its laws, and once appropriate legislation consonant with the agreement is submitted to the Knesset, Israel will be moved from the Special 301 Priority Watch List to the Watch List. When the subject legislation is fully implemented and passed through the Knesset, Israel will be moved off the Special 301 list altogether.

Israel has increased its budget, educational, police, and judicial resources devoted to the enforcement of the country's copyright and trademark laws. In addition, Israel passed amendments to its copyright laws that should make it easier for law enforcement officials, prosecutors, and judges to pursue, prosecute, and punish copyright crimes. Please see the Investment Climate Statement (Chapter 6) for more up to date information, specifically on the ongoing negotiations between Israel and the USTR on pharmaceutical data exclusivity.

Protecting Your Intellectual Property in Israel:

Several general principles are important for effective management of intellectual property ("IP") rights in Israel. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Israel than in the U.S. Third, rights must be registered and enforced in Israel, under local laws. Your U.S. trademark and patent registrations will not protect you in Israel. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Israeli market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Israel. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Israeli law. The U.S. Commercial Service can provide [a list of local lawyers](#) upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Israel require constant attention. Work with legal counsel familiar with Israeli laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Israel or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.

For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit:

http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. State Department has positioned IP attachés in key markets around the world. The IP attaché in Israel can be contacted at:

DeWitt Conklin
Trade and Economic Officer
U.S. Embassy Tel Aviv
Office: +972- 3-519-7547
Email: conklindc@state.gov

Due Diligence

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American firms interested in doing business in Israel are advised to perform due diligence before concluding any kind of business deal in the market. Due diligence can include, but is not limited to, checking if the company or contact is listed on the Internet. Several marketing firms in Israel publish lists of companies and contacts. The U.S. Commercial Service in Tel Aviv also provides a list of [local business service providers](#) on

their website. Many Israeli companies are increasingly developing their own websites and this information can be very useful to an American company's research.

The U.S. Commercial Service in Tel Aviv can provide background information on companies and individuals via the [International Company Profile \(ICP\)](#) service. An ICP provides information about a local company or entity, its financial standing, reputation in the business community and includes a site visit to the local company and a confidential interview with the company management.

Most American banks correspond with the leading Israeli banks, such as Bank Leumi and Bank Hapoalim, and can provide due diligence information. It is advisable, especially when working with new clients, to seek verification from a corresponding U.S. bank on the authenticity of documents stemming from the Israeli banking system.

Local Professional Services

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Please see the list of local "Business Service Providers" on CS Israel's website:
http://www.buyusa.gov/israel/en/service_providers.html

American firms may also contact E-mail: Office.TelAviv@trade.gov or fax: 972-3-510-7327.

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[The Jerusalem Post](#)
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Agricultural Sectors

- You can click through to the U.S. Department of Agricultural (USDA) comprehensive Exporter Guide for U.S. agricultural companies [here](#).

Automotive Aftermarket Parts & Equipment

Overview

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The Israeli automotive industry is solely dependent on European and Asian imports having no manufacturing base of its own. Industry sources predict that motor vehicle deliveries will average 240,000 units per annum from 2011-15, 60% of which, will be purchased by the major leasing companies. Of the 2.5 million cars on Israeli roads, 3.7% are made in the United States and the balance from Europe (45.9%) and Asia (50.4%) - Japan 39.1% and South Korea 11.3%. The five top brands are Mazda, Hyundai, Toyota, Chevrolet (Korea), Ford (EU). Total imports of aftermarket products are estimated to reach \$428 million in 2010 and \$471 million in 2011. The bulk of which is from Germany, Japan and Asia. Imports from the U.S are estimated at \$25 million annually. Access to the Israeli market by US exporters is best achieved through any of the 600–700 importers of aftermarket products. There are also around 20 local original equipment manufacturers of (OEM) parts, their substitutes and accessories that service a number of the major American and European car makers.

Despite OECD directives, taxes on new cars in Israel are among the highest in the world (83%), which industry sources blame as the main factor preventing the car market from reaching its full potential. It seems that the Government of Israel is in no hurry to give up on one of its major sources of tax revenues, though it recently introduced tax incentives on imports of electric vehicles in order to help reduce carbon emission gases. In fact Israel has been chosen by the California-based company Better Place as the location to launch its network of recharging/battery swapping stations in October 2011 (Nissan-Renault will supply the vehicles). Another important piece of legislation introduced by the Ministry of Transport & Safety (MOT), in order to stimulate competition in the marketplace, is parallel importation of vehicles by newly certified distributors. To-date only one company has been licensed. Moreover from March 2011, Japanese and European models, which are made in the USA according to American standards, will now be allowed into the country. Personal car imports account for only 2% of all car imports, but nearly 25% of luxury car imports (mostly from the USA) costing more than NIS 200,000 (USD\$54K).

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- Car body: bumpers, radiator grills, hood and trunk lids, wings, front and rear lamps (i.e. the parts most vulnerable in car accidents).
- Car security and anti-theft devices: anti-theft electronic systems, locking devices.
- Service parts: disc brake pads, shock absorbers, front suspension parts, filters for oil and lubrication, air conditioning parts.
- Replacement service parts: tires, fan belts, water hoses, water pumps, brake components, engine and transmission components, electrical components, undercarriage items that need replacing at the end of the warranty period.
- Vehicle accessories: car care products, polish, wax, upholstery spray.

- Water-coolants (Glycol) for radiators.
- Electronic accessories: TV screens for the rear seats, GPS systems, sound systems etc.
- Universal lubricants: well-known brand names of high-grade oils, lubricating, glycol, wax. The market demands well-known brand names.

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Israeli importers are always on the lookout for quality products at competitive prices – usually in that order. For additional information, please contact Commercial Specialist Alan Wielunski: email:alan.wielunski@trade.gov; phone: +972-3-519-7390.

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Electronic Components (ELC)

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	2008	2009	2010 (est.)
Total Market Size	830 (-14.5%)	656 (-21%)	997
Total Local Production	1,368	1,081	1,513
Total Exports	1,308	1,033	1,446
Total Imports	770	608	930
Imports from the U.S.	214	169	250

Units: Millions of U.S. dollars. Source: www.technologies.co.il

The year 2010 was a positive surprise in the electronics world. The Israeli market for the first time almost reached the \$1 billion mark with a market worth of \$997 million. There was a 40% increase in orders which caused a worldwide stock shortage and long delays in supply chain. After a difficult year in 2009 the Israeli electronics market is showing great recovery.

Industry experts estimate that market growth will continue as there is a steady demand for consumer goods such as flat TV, computers, cameras, media electronics and more. The downside is that extended delays in the supply department that can range up to 3-4 months. This has opened the door to brokers and dealers with export surplus and has increased forgery, a problem which forced manufacturers to send out guidelines on how to handle forgery and to protect themselves from product responsibility.

Israel's leading sectors are the defense and medical industry, which showed stability even in difficult times. Sectors that are showing a healthy recovery are the communications and safety & security market. There is an increased demand for passive components and RF.

Israel is a major importer of electronic components. Total imports still totaled \$930 million, with nearly 30% coming from the U.S. Although the U.S. remains one of Israel's main components suppliers, Asian companies are proving tough competitors. Numerous multinational corporations have also taken advantage of Israel's technical expertise by establishing R&D facilities and manufacturing plants in the country. These include Applied Materials, General Electric, HP, IBM, Intel, Microsoft, National Semiconductor and Vishay.

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As a developed technology market, Israel is always looking for innovative technologies and components to enhance product technical features. Developments in the Israeli telecom, defense and homeland security markets have had a positive effect on the increased demand for electronic components. Israel's purchasing nature is based on two main factors, price and technical support.

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Israel offers opportunities for U.S. exporters of active components, RF & microwave, power amplifiers and semiconductors. There are a large number of Israeli companies that represent U.S. firms in this sector, always looking for new-to-market U.S. companies with good service and competitive prices that they can represent.

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Electricity

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Israel Electric Corporation (IEC)

IEC is Israel's electricity utility company. The company owns, maintains and operates 17 power stations sites, including 5 sites for steam driven power stations, and the national transmission and distribution systems. With an aggregate installed generating capacity of 11,649 MW, the company holds 98% of the country's generating capacity. As a state-owned company, IEC is included in Israel's WTO/GPA agreement. As such, IEC is required to use public tender procedures for procurement of equipment needed for new construction, maintenance, upgrading and conversions of its systems. While some projects are tendered out in open tender procedures, in most cases, a selective tendering process requires potential suppliers to pre-qualify to be included in IEC's approved suppliers' list. Some of the tenders are published on IEC's English language website www.iec.co.il.

Renewable Energy

In 2008, the Public Utility Authority (PUA) – Electricity, Israel's regulator, issued feed in tariffs for the sale of electricity from renewable energy sources to the national grid. In the past 2.5 years, since the sector was opened, the PUA issued licenses for a total of 170MW of small solar energy installations up to 15KV, and 300 MW of medium size plants. Israel has numerous technology firms developing renewable energy sources and there is much room for cooperation and participation in Israeli projects. The annual Eilat Renewable Energy conference and exhibition (www.eilatenergy.com) provides a good opportunity for U.S. renewable energy companies to present their technologies.

Independent Power Producers (IPP)

The Electricity Law provides the framework for the increase of IPPs from 0.6% to 20% of Israel's installed generating capacity. The national pipeline infrastructure for the supply and distribution of natural gas is almost complete and enables major industries to set up independent power stations to provide for their energy needs and sell the remainder to the national grid. With the recent major off-shore natural gas discoveries, the PUA has granted some two dozen of licenses to developers of private power stations. The large number of projects in various planning stages offers good opportunities for U.S. manufacturers, in particular of cogeneration equipment.

Natural Gas Transmission

The Israel Natural Gas Pipeline Company continues to develop a national gas transmission network. Israel procures natural gas from Egypt and from an Israeli offshore gas field. With the recent discovery of the Tamar and Leviathan natural gas fields, new underwater pipelines will need to be constructed. In 2010, several companies prequalified for the establishment of an LNG facility.

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Israel Electric Corporation is operating under an emergency plan, making substantial investments in expansion and improvements to its generation, transmission and distribution systems. To meet projected future electricity demand, Israel Electric will invest at least \$1.2-1.3 billion annually. Good opportunities exist also in the IPP sector. The Public Utility Authority for Electricity, the regulatory body, has, over the past few years, issued numerous licenses for IPPs including to Dorad for an independent 800MW power station and for combined cycle plants at major industries and desalination plants. Israel remains a good market for U.S. suppliers of equipment and services to the energy sector. With a favorable dollar exchange rate, U.S. equipment suppliers enjoy a price advantage over EU-based manufacturers.

IPP's, in particular cogeneration plants. Renewable energy power stations, i.e. a solar energy plants, wind turbine generators, renewable energy technologies.

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Homeland Security

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Israel is a well-developed and sophisticated market for homeland security equipment and services. Israel's security-awareness and high level of preparedness are the driving forces for the development of the country's cutting edge security industry. This is one of Israel's high-growth export industries. Israel has over 400 exporters of security technologies and services, including many integrators and service providers. The homeland security industry's annual sales are estimated at \$5.5 billion, with exports accounting for approximately \$2 billion. Imports are an estimated \$550 million, with 60% U.S. market share. The 20 percent growth rate seen in 2007 and 2008 leveled off somewhat in 2009 and 2010 because of the global financial crisis, but the local industry sees good growth potential for 2011. U.S. companies that want to participate in this sector should be knowledgeable of U.S. export control laws.

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CCTV, X-ray systems and screening systems using alternative technologies, non-lethal weapons, sensors, biometric solutions

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Israel is an attractive market for U.S. manufacturers of high-end equipment and of components that can be integrated into Israeli systems. Israeli manufacturers are important end-users of imported security equipment and components that are integrated into locally produced for-export security systems. In addition, many of the homeland security systems are sold to the Israel Ministry of Defense. These procurements are made with Foreign Military Funding (FMF), giving an advantage to U.S. manufacturers. U.S. suppliers dominate the imports with a 60% market share. The total imports of homeland security equipment and services are estimated at \$550 million. Good opportunities exist for sophisticated equipment used in homeland security applications. U.S. security equipment, which enjoys an excellent reputation in Israel due to its high reliability, is often used for sensitive applications, by high-security industries and for key infrastructures and installations. The market offers good opportunities for U.S. exporters of high quality and sophisticated detection and screening systems, CCTV, sensors, biometric solutions, x-ray systems, non-lethal weapons, etc.

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Intelligent Transportation Systems

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Intelligent Transport Systems (ITS) is a broad-based term that describes a wide range of communication and computing technologies used to improve various transportation systems. Innovation in ITS is moving Israel towards an all-encompassing computer coordinated transportation system that will improve every source of transportation, from trains to roads, buses and even bike paths. Not only do these improvements make transportation more convenient and efficient, but also increases safety. Improvements in traffic management, driver assistance technologies, navigation aids, freight management dispatch systems, information for multi-modal transport users, rescue systems and environmental management provide users with significant reductions in total transportation related costs and travel time while increasing safety. In 2010, Israel adopted the US standard for ITS architecture which is expected to take 10 years to fully implement across all transit authorities operating in the country.

Total planned transportation infrastructure spending in Israel is planned to reach \$16 billion in the medium term (2008-2015). Highway spending alone could reach approximately \$6.4 billion over the next five years. In 2011-12, the INRC will embark on the development, implementation and operation of a national traffic management system as part of its comprehensive traffic management program to proactively manage the road network, optimize existing capacity, reduce congestion, enhance safety and improve air quality. ITS spending by the Israel National Roads Company (INRC) may reach as high as \$40 million.

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Roughly 40% of the ITS budget is allocated to procuring hardware components such as; cameras, electronic signage and detectors. This group of products alone is expected to reach \$18.6 million in the next five years.

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U.S. manufacturers of ITS products and services are encouraged to take advantage of the opportunities in the Israeli market. For additional information, please contact Commercial Specialist Alan Wielunski: email:alan.wielunski@trade.gov; Phone: +972-3-519-7390.

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Medical Equipment

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Sales of U.S. medical equipment to Israel totaled \$179 million in 2010 (Data Table 1). The demand for medical equipment remains steady as the public healthcare system keeps up with the latest, most advanced technologies and procedures. Each year, a public committee reviews and selects new technologies and procedures to add to the reimbursement list (Healthcare Basket). Therefore, Israel remains a good market for U.S. manufacturers of innovative and advanced medical technologies.

YEAR	2008			2009			2010 (estimates)	
HS Code	Total Exports from Israel	Total Imports	Imports from the United States	Total Exports from Israel	Total Imports	Imports from the United States	Total Imports	Imports from the United States
9018 - Medical Instruments	879	317	107.5	867	289	95	310	126
9021-Orthopedic Appliances	22.6	117	20	27	110.6	20	90	25
9022-Medical Imaging Equipment	307.8	60.2	40.6	134.6	32	13	50	17
3005-Medical/Surgical Dressings	18	20	5.8	21.5	19	4.4	19	4.2
901920-Respiration Apparatus	23	17.5	6	15	20.6	10	20	6.8
Total	1,250	531.7	179.4	1,065	471.2	142.4	489	179

Data Table 1: Breakdown of Imports by HS Code, 2007-2009. Unit: USD millions

Units: Millions of U.S. Dollars. Source: Israel Central Bureau of Statistics

The Israel Ministry of Health (MoH) accepts US FDA medical approvals and device classification. Companies interested in exporting medical equipment to Israel need to appoint a local distributor, agent or other legal representative to register the device with the MoH. The device registration application should be accompanied by one of the following documents: 510(k), Pre-Market Approval (PMA) or an Investigational Device Exemption (IDE). The licensing procedures for U.S. FDA-approved medical equipment are fairly clear. Implantable medical devices require mandatory labeling in the patient's file for tracking and surveillance purposes. The labels must contain the manufacturer name and address, the importer name and address, type of implant, sub-type of implant, size, serial number and a batch number.

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Best sales prospects exist for U.S. manufacturers of innovative technologies in many medical fields, including medical imaging and image guided instruments, preventive medical treatments, cardiology equipment, equipment and supplies for plastic surgery, dental instruments, equipment and technologies for pain management, physiotherapy, ozone & oxygen therapy, OR equipment, point of care diagnostic kits and wound management technologies.

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The U.S. Commercial Service at the U.S. Embassy in Israel helps American exporters enter the market through partner search and trade promotion programs. Please contact: yael.torres@trade.gov or visit <http://www.BuyUSA.gov/israel> for more information.

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Telecommunications

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Telecom Market Revenue	<u>2008</u>	<u>2009</u>
Fixed	1,102	1,126
Internet	301	307
Cable/Satellite infrastructure	973	994
International	409	418
Cellular	4,355	4,450
<u>ISP</u>	<u>427</u>	<u>436</u>
Total	7,568	7,731

Units: Millions of U.S. Dollars; Source: Israel Ministry of Communications

According to the Ministry of Communications Israel's telecommunications market is estimated at \$7.7 billion, a market growth of 2.2% in 2009. According to data from Pyramid's Research, the market's growth will rely on a combination of new services and new networks rather than on increasing penetration rate. The report said: "As the ability to offer multiplay services becomes more important in the Israeli market, operators look for mergers or partnerships that will allow them to expand their product ranges. Differentiation through discounted bundles and value added services becomes vital".

The Israeli telecom market is currently changing as data revenue is growing to substitute for declining revenue generated by circuit-switched voice services. Accordingly, mobile data and fixed broadband Internet will grow at CAGRs of 13.4% and 7.8%, respectively, between 2010 and 2015, while fixed voice drops by more than half and the mobile voice market shrinks by about \$0.5bn during the same period. The rise of data services will be driven on the mobile side by an aggressive race among the operators to expand their 3G subscriber bases. On the fixed side, growth of data will be propelled by the introduction of IP-based next-generation networks by the incumbent Bezeq, while the phase-out of the circuit-switched networks gains speed.

Israel has one of the highest mobile penetration rates in the world and is one of the most competitive in the region, with four operators in a saturated market. The difficulties of growth through new customer acquisitions and voice tariff competition have led operators to focus on mobile data, regularly launching new value-added products and extending their offerings to provide bundled services including fixed-line.

Israel has a very dynamic fixed-line voice and broadband market. Bezeq has retained the majority of the domestic fixed-line voice market but new licenses being granted for VoIP service provision are shaking up the market. The International fixed-line voice market has been very competitive for many years. Israel has a very high household broadband penetration rate. Market competition is fierce, both between cable and DSL infrastructures and between ISPs. Competition is also fierce between Bezeq's satellite TV subsidiary YES and cable TV operator HOT, with both challenged by DTTV. Israel's very high broadband penetration rate provides great potential for triple play and digital media market developments and competitors are maneuvering for position with many changes of ownership since mid-2009.

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Israel's very high broadband penetration rate provides great potential for triple play and digital media technologies. Another area of development is the Fixed Mobile Convergence (FMC) market. A market survey conducted by BBDO Consulting shows that over 65% of fixed and mobile operators will have implemented FMC services into their products over the next three years. There are a number of Israeli companies offering FMC solutions allowing for dual-mode handset service.

The cellular market segment is the main growth engine within the Israeli telecommunications market. All four operators in Israel provide digital technology countrywide coverage and modern 3G services. Pelephone uses CDMA2000 technology. The second operator, Cellcom, uses the American IS-136 TDMA, European DCS 1800 and UMTS. Orange (Partner Communications), the third operator, uses GSM technology DCS 1800 and UMTS. The last licensed cellular operator is MIRS, which uses iDEN ESMR technology. The penetration rate of mobile phone subscription exceeds 100% (over 7.7 million mobile subscribers). The cellular market continues to search for new and innovative applications such as value added services for its customers. Israel is a highly urbanized, technologically-literate society. Israelis are used to having world-leading technology in many fields, and mobile phones are no exception.

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Opportunities are in the IP Networks – Voice, Video, Data and Multimedia, FMC, IPTV, Wi-Fi, WiMAX and VOB. As the Israeli telecoms industry continues to expand and increase in revenue and with the introduction of new technologies, the market will continue to offer many opportunities for U.S. exporters.

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Travel & Tourism

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Israeli travelers continue to rank the United States as their preferred travel destination. In September 2010 Israel ranked 18th on the U.S. Office of Travel & Tourism Industries (OTTI) list of Top-Twenty Tourist-Generating Countries. OTTI has also recorded a 5.5% growth in the number of Israeli travelers to the United States in 2010. The majority of Israelis who travel to the United States are visiting family (44%). Business travelers account for 25% as well as leisure, recreation and holiday travelers. Conference attendees account for only an estimated 3% of all arrivals from Israel.

The most popular activity participation while in the United States are shopping and dining, followed by art gallery/museum, sightseeing in cities, visit historical places and amusement and theme parks. Only 20% of Israeli visitors to the United States stated they are interested in touring the countryside, visit national parks or nightclubs. At least 65% of Israeli travelers to the United States plan their trip weeks in advance. At least 50% of travelers use a travel agency as a primary source of information for trip planning. The average length of stay is 12 days. The average expense per person per day in the United States is \$200 including accommodations, meals and shopping (not including airfare). Industry experts report over \$1 billion in expenditure per year by Israelis within the U.S. on travel-related services, not including airfare.

El Al Airlines, Continental Airlines, U.S. Airways and Delta Airlines operate 10 daily, direct flights from Tel Aviv to New York, Atlanta, Philadelphia and Los Angeles. Most European airlines offer competitive prices and routes to the U.S. via Europe.

Entries by Israelis 2008-2010

YEAR	2008	2009	2010
Total outbound departures of Israelis by air	3,600,000	3,397,000	3,600,000
Total Arrivals of Israelis to the United States	332,257	308,000	332,000

Sources: Israel Central Bureau of Statistics, OTTI, U.S. Department of Commerce

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Over 500 travel agents and about 20 wholesale tour operators work in the Israeli outbound travel market. Operators and airlines advertise special packages and seasonal deals on a daily basis. The high seasons for travel occur around the July-August summer vacation and the High Jewish holidays in September, October and April. Tour operators specialize in market segments rather than in specific destinations, and most operators are conservative in selecting new travel products.

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U.S. passenger service companies, travel attractions, restaurants, outlet shopping and family travel destinations may find opportunities in Israel, especially by offering new travel products and a high level of services. Best prospects are in family vacations, eco-tours, charter deals to major cities including special sports or cultural events, and business travel to major trade shows, combined with sightseeing.

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Import Tariffs

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Israel's tariff classification is based on the Harmonized System (HS) Code. Israel's Customs and Purchase Tax Tariff is the main instrument used for the classification of goods. The correct classification of goods is the key to determining tax rates, as well as obtaining various authorizations, permits and licenses, and all other conditions of importation, in accordance to the applicable laws, regulations and instructions. We recommend contacting a professional customs broker for consultation since classification of goods requires professional knowledge. Israeli Customs provides free classification information for up to three products per request. A request should include a detailed description of the goods, a catalog with the technical information and/or any other relevant information. In addition, Customs may also require a sample of the material/product, lab testing results, authorizations from institutes/authorized government agencies, import license and any other documents as required by the specific Customs Department. For additional information and where to send classification request: <http://ozar.mof.gov.il/customs/eng/mainpage.htm>. The website for the Israel Tax Authority, with information on Customs and other taxes, can be found at: <http://ozar.mof.gov.il/customs/eng/mainpage.htm>

Trade Barriers

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In general, Israel offers a good commercial environment for U.S. companies. The United States-Israel Free Trade Agreement (FTA) has eliminated almost all tariffs, leaving Israel's agricultural sector as the only one with substantial barriers. The FTA also provides for a joint committee comprised of representatives from both countries to review the functioning of the agreement. Israel is a member of the World Trade Organization (WTO).

A 1996 Agreement on Trade in Agricultural Products (ATAP) with the United States permits Israel to maintain non-tariff protection for certain agricultural products. This

framework expired at the end of 2001 but the signed agreement was extended until the end of 2009. Under the agreement, Israel permits free access to a long list of food products and duty-free access for certain quantities of a list of U.S. products under tariff rate quotas (TRQ). However, U.S. exporters and Israeli importers complain that these TRQs provide an insufficient duty-free quota for many fruits and other products, and very high fees on additional quantities (above quota). Israel excludes most of US fresh vegetative products, on phytosanitary grounds. Israel has revised its phytosanitary restrictions and requirements making them consistent with WTO requirements.

The U.S. Embassy in Tel Aviv is actively pursuing much-needed improvements in the export and investment climate for U.S. firms in Israel. The efforts are focused in three specific areas: incorporating technical standards in Israel that do not discriminate against U.S. products, protecting intellectual property rights, and establishing greater transparency in Israel's public procurement process. For further information about how these issues may affect your export prospects in Israel, please contact the Commercial Service in Israel.

Regarding intellectual Property Rights, while there has been improvement in the level of illegal production, importation, and sale of copyrighted and trademarked goods, serious problems still exist. For more details, see "Intellectual Property Rights, in Chapter 6, "Investment Climate Statement."

Import Requirements and Documentation

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All administrative import licensing requirements for U.S.-made consumer and industrial goods have been eliminated under the FTA, including the requirements for most food and agricultural products. However, in the case of products for which there is a TRQ, the Ministry of Agriculture or the Ministry of Industry, Trade & Labor issues a license exempting the bearer from duty on the quantity indicated in the license. Importers wishing to bring in goods without availing themselves of the TRQ are not required to obtain a license. All imported agricultural and food products must carry a health certificate or an import license for veterinary, phytosanitary or public health reasons. The Israel Veterinary Services (IVS), the Plant Protection and Inspection Services (PPIS) and the Food Control Service (FCS) of the Ministry of Health issue these, respectively. Please contact Agricultural Specialist Yossi Barak for more details at yossi.barak@usda.gov.

U.S. Export Controls

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U.S. exporters to Israel must follow standard U.S. Government requirements regarding export control documentation for sensitive U.S. exports. For information on this subject contact the U.S. Department of Commerce Bureau of Industry and Security, Internet web site: <http://www.bis.doc.gov/>, or the Trade Information Center at 1-800-872-8723.

Although Israel is not a signatory to the Wassenaar Arrangement, it has adopted the Wassenaar list of dual-use items subject to control. As of January 1, 2007, the Ministry of Industry, Trade & Labor is responsible for the administration of Israel's dual-use export control system. However, it lacks sufficient trained personnel to shoulder this responsibility completely and continues to rely on staff support by the Ministry of

Defense. The Ministry of Defense has established a new division to deal exclusively with the export controls of defense items.

U.S. export licenses are required for exports to Israel of certain high technology, defense related equipment and technologies and weapons for chemical and biological warfare. U.S. exporters should ensure that they are in compliance with the export control regulations as administered through the U.S. Department of Commerce, Bureau of Industry & Security and U.S. Department of State, Office of Defense Trade Controls.

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Temporary entry of U.S.-made goods is possible with an "ATA Carnet" issued by a U.S. Chamber of Commerce or through payment of a deposit, reimbursable upon re-export.

Labeling and Marking Requirements

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Israel has strict marking and labeling requirements that frequently differ from those of other countries. U.S. exporters should consult with their Israeli importer prior to shipping any product that will be offered to the local market. At present, some labeling and marking requests from the Ministry of Health have been inconsistent. Embassy Tel Aviv is working with the Ministry to try to resolve any discrepancy.

All imports into Israel must have a label indicating the country of origin, the name and address of the producer, the name and address of the Israeli importer, the contents, and the weight or volume in metric units. In all instances, Hebrew must be used; English may be added provided the printed letters are no larger than those in Hebrew. Nutritional labeling is compulsory on all packaged foods. For more information on marking and labeling requirements, please contact Agricultural Specialist Yossi Barak for more details at yossi.barak@usda.gov, phone: +972-3-519-7686.

Israel has no declared government policy on genetically modified organisms (GMO) although regulations are being prepared which will require positive labeling when a product or an ingredient is genetically modified. Israel's main export market for food is Europe where consumer concern over GMO is considerable. Thus, many Israeli raw material importers require an exporter's declaration that the product is GMO free.

Marking should be done by printing, engraving, stamping, or any other means, on the package or the goods themselves. If marking is not possible, a label should be well sewn or stuck to the goods or package. Marking details should be clear, legible and in a different color from the background in order to be clearly distinguishable. Printing dyes and other marking materials should not affect merchandise quality. The marking should not be blurred. On a multi-layered package, the external layer should be marked. If the external layer is transparent the marking should be done underneath that layer, provided it is still clear and legible. On a package containing sub-packages, the labeling should specify the number of such sub-packages, the net content of a sub-package, and the overall net weight of the package. An aerosol container should indicate the net quantity weight unit for semi-solid or powder products, and volume unit for liquids. For products that tend to lose weight under regular marketing/commercial conditions, the maximum quantity of expected depletion should be mentioned.

Specific labeling regulations apply to some consumer goods, paper products, handbags, musical recordings, fertilizers, insecticides, chemicals, pharmaceuticals, some food products, seeds, and alcoholic beverages. Outside and inside containers of dangerous articles, such as poisons, insecticides, drugs, flammable goods, ammunition, explosives, reptiles, insects, bacteria and radioactive materials should be clearly marked.

Prohibited and Restricted Imports

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Israel maintains restrictions on imports of products the government considers to be economically sensitive and subject to agricultural policy considerations. U.S. meat exports face an especially difficult environment due to a ban on beef meat due to veterinary restrictions and for kosher requirements.

Israeli law determines that the sole authority for certifying food as kosher is the Council of the Chief Rabbinate of Israel. Hence, products considered kosher in the United States still must obtain certification from Israel's Chief Rabbinate to be considered kosher in Israel. With the exception of meat, poultry and their products, there is no legal requirement that imported food be kosher. However, for commercial considerations, in most cases it is advisable to obtain kosher certification for products and raw materials as surveys show that between 60 and 65 percent of the Jewish population prefer kosher food. Please contact Agricultural Specialist Yossi Barak for more details at yossi.barak@usda.gov, phone: +972-3-519-7686.

Customs Regulations and Contact Information

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Israeli Customs stringently enforces import documentation regulations, including the requirement for a U.S. Certificate of Origin for exports to Israel. Therefore, U.S. exporters should meticulously follow the advice given below and always double-check with freight forwarders and shippers before the goods leave the United States to avoid potentially lengthy delays when the goods enter Israel.

In order for U.S. exporters to qualify for preferential access to the Israeli market, a special certificate of origin must accompany all shipments from the United States to Israel. The FTA came into full effect in 1995. Under this agreement, American companies exporting to Israel can gain greater market access, reduce transaction costs, increase sales, enhance export revenues and become more competitive in the Israeli marketplace. U.S. exporters are encouraged to qualify for preferential tariff treatment and to obtain, when necessary, a certificate of non-manipulation for trans-shipments.

If the exporter is also the manufacturer the certificate does not need to be notarized or stamped by a Chamber of Commerce. Instead, the exporter should make the following declaration in box 11 of the certificate: "The undersigned hereby declares that he is the producer of the goods covered by this certificate and that they comply with the origin requirements specified for those goods in the U.S.-Israel Free Trade Area Agreement for goods exported to Israel". The actual forms are printed by a number of commercial printing houses in the United States. For more information, please see the U.S. Commercial Service webpage on the [Certificate of Origin in Israel](#).

Other Documentation

The Israeli Customs Services prefer that exporters use their own commercial invoice forms containing all required information including name and address of supplier, general nature of the goods, country of origin of the goods, name and address of the customer in Israel, name of the agent in Israel, terms, rate of exchange (if applicable), Israel import license number (if applicable), shipping information, and a full description of all goods in the shipment including shipping marks, quantity or measure, composition of goods (by percentage if mixed), tariff heading number, gross weight of each package, net weight of each package, total weight of shipment, price per unit as sold, and total value of shipment. The total value of the shipment includes packing, shipping, dock and agency fees, and insurance charges incurred in the exportation of the goods to Israel. The commercial invoice must be signed by the manufacturer, consignor, owner, or authorized agent. U.S. exporters should also double check with their freight forwarder, shipping company or importer to find out if any other documentation, including bill of lading and packing list, is required. It is imperative that these issues be addressed before the goods arrive at the Israeli port, to avoid any possible delays and storage fees. In addition, U.S. goods that are transshipped through third countries require a Certificate of Non-Manipulation from the customs authority of the third country, in order to qualify for the FTA preferential tariff.

Authorization Procedures for "Approved Exporter" Status

Potential candidates for "Approved Exporter" status are U.S. firms with total annual exports to Israel of at least \$20 million that have a clean record with the Israel Customs Services. Israel Customs will examine whether the manufacturer or exporter complies with the criteria and grant approval for "Approved Exporter" status. The approved exporter will be given an identity number to be stamped on all invoices. The approval is valid for six months, after which the exporter should receive an automatic extension from Israel Customs. If the exporter does not receive an extension notice he/she must terminate use of the approval. For more information please contact U.S. Commercial Service Senior Commercial Specialist, Yael Torres, at Yael.Torres@trade.gov

Standards

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Overview

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The [Standards Institution of Israel \(SII\)](#) is the only statutory body in Israel that develops and establishes standards. Created by an act of the Knesset (Parliament), "The Standards Law of 1953" mandates SII's responsibility for the preparation, publication of technical specifications and standards for products and services, which are produced locally or imported. Today, the SII incorporates standardization, testing, conformity assessment, product certification, management system certification and training activities under one roof. It has laboratories in almost all technological areas, providing testing and inspection services to industry and commerce, as well as regulatory services

to government. Overseeing the SII's policy is the Ministry of Industry, Trade & Labor's Commissioner of Standards.

The supreme body of the SII is the General Assembly, comprised of 70 members from the following sectors: manufacturing, construction, commerce, services, trades, consumers, engineering associations, universities and government. The General Assembly annually elects a Board of Directors and President. The SII's Standardization Division coordinates the preparation of standards through the work of hundreds of standardization committees that include volunteer representatives from all sectors of the Israeli economy. The adoption of Israeli standards is voluntary, however, standards may be declared mandatory by the relevant government ministry in the interest of public health and safety or protection of the environment.

As the mandated national standards body, the SII represents Israel in two international standards organizations, the International Organization for Standards (ISO) and the International Electromechanical Commission (IEC). Israeli legislation also mandates the adoption of multiple, proven international standards whenever possible to maximize benefits to the Israeli consumer of a competitive market.

However, a disturbing trend in Israeli standards policy is its clear drift towards European standards. The SII has become an affiliate of the European Committee for Standardization (CEN) and the European Committee for Electro technical Standardization (CENELEC), though it has not joined any technical committees.

Standards Organizations

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The [SII](#) is the sole organization that develops standards in Israel. On a yearly basis the SII prepares its work plan that includes a list of standards they plan to develop. Members of the various technical committees, as well as government ministries, provide input.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:

<http://www.nist.gov/notifyus/>

Conformity Assessment

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The sole authority for conformity assessment in Israel is the SII.

Product Certification

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SII operates product and system certification programs. Use of the Standards Mark is generally voluntary but Israeli law mandates that certain classes of products must be certified before they are sold. The Standards Mark program operates in accordance with EN 45011. To qualify for the Standards Mark, a product must conform to the requirements of the applicable standard or standards, and be manufactured in a plant

with an approved quality assurance system, similar to ISO 9002.

The Standards Mark Board appoints technical committees of representatives from the public and private sectors in various technological areas, which meet regularly to evaluate the findings of the test reports and quality assessment reports. These committees report their findings to the Licensing Committee, which is responsible for granting or canceling a license.

Once a license is issued, follow-up inspections of the product and quality assurance review is performed. These inspections are performed by laboratory personnel and certified auditors. In addition, samples of the product are taken several times a year to insure continuous compliance of the product with the relevant standard or standards. In order to ease the process for foreign manufacturers wishing to enter the Standards Mark program, agreements have been reached with independent foreign testing and certification organizations to perform testing and inspection services on behalf of SII.

The SII has signed Mutual Recognition Agreements (MRA) with the following U.S. organizations:

Dept. of Defense	QPL AND QML for Electronic components
ETL	Standards Mark recognition - Electrical and energy products
FCC	Recognition
IAPMO	Hydraulic products; Standards Mark
NSF	Food Safety, HACCP-9000, HACCP
UL	Mutual recognition in fields of: Electricity, electronics, hydraulics, mechanics, fire. Standards Mark supervision in fields of: Electricity, electronics, hydraulics, mechanics, fire

Accreditation

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The Israel Laboratory Accreditation Authority (ISRAC) is the only body in Israel, which is internationally and legally recognized to accredit testing and calibration laboratories according to ISO/IEC 17025 and to recognize laboratories in accordance with the OECD rules of Good Laboratory Practice (GLP).

The Government of Israel decided in its resolution No. 3778 from August 14, 1994 to set up a National Authority for the accreditation of testing and calibration laboratories (ISRAC) and empowered the Minister of Industry, Trade & Labor to implement this resolution as a voluntary scheme for laboratories wishing to be internationally recognized for their competence in testing. The law for the national accreditation authority (ISRAC) was passed in the Knesset in May of 1997.

ISRAC has accredited laboratories in the areas of food, water, cosmetics, pesticide chemistry, biology, microbiology as well as many calibration, engineering, construction laboratories NDT (non destructive testing) and EMC (telecommunications).

Publication of Technical Regulations

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Technical standards are published in the official Israel Government Gazette in hard copy only and can be purchased in bookstores that sell legal textbooks or by subscription. Prior to publication, the Director General of the SII officially informs the relevant industry sectors of pending additions and amendments. U.S. entities can influence the content and adoption of technical standards through active participation at the technical committee level.

Trade Agreements

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Israel has adopted a liberal import policy. In addition to its Free Trade Agreement (FTA) with the U.S., it has FTAs with Bulgaria, Canada, the Czech Republic, Hungary, Mexico, Poland, Romania, the Slovak Republic, Slovenia, Turkey, the European Union (EU), and EFTA (Iceland, Liechtenstein, Norway, and Switzerland). Israel also has a preferential trade arrangement with Jordan and maintains a customs union with the Palestinian Authority. In late 2002, the European Union began imposing customs duties on goods manufactured by Israeli companies located in the Palestinian territories.

In 1997, Congress amended the law governing the U.S./Israeli Free Trade Agreement to enable the creation of so-called qualifying industrial zones (QIZs) with Jordan and Egypt. Jordan took advantage of this opportunity beginning in 1997. Products manufactured in Jordan enjoy duty and quota free access to the U.S. market if, inter alia, they contain a certain minimum percentage of Israeli inputs. Jordan has established a number of QIZs. Both Israeli/Jordanian trade and Jordanian exports to the U.S. have grown significantly as a result of the QIZs. Egypt signed the QIZ agreement in December 2004. Egyptian products manufactured within a designated zone with 11.7% Israeli inputs, and a combined 35% value added, may enter into the U.S. duty free. Since signing the agreement, Egypt's imports to the U.S. have nearly doubled. A list of current Egyptian QIZ-eligible companies and zones can be obtained at <http://www.qizegypt.gov.eg>. All products manufactured in the Palestinian territories also may enter the U.S. duty free

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[Ministry of Finance – Israeli Department of Customs & VAT](#)

Regarding Standards Issues:

[Standards Institution of Israel](#)

[Ministry of Industry, Trade & Labor](#)

[Federation of Israeli Chambers of Commerce](#)

U.S. Certificates of Origin for Exporting to Israel:

[U.S. Commercial Service](#)

U.S. Department of Commerce Bureau of Industry and Security:

[Bureau of Industry and Security](#)

Labeling/Marking Requirements:

[Ministry of Industry, Trade & Labor](#) ; [Ministry of Health](#)

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Israel is open to foreign investment, and the government actively encourages and supports the inflow of foreign capital. There are few restrictions on foreign investors, except for parts of the defense or other industries that are closed to outside investors on national security grounds. There is no screening of foreign investment and no regulations regarding acquisitions, mergers, and takeovers that differ from those that Israelis must follow. Foreign investors are welcome to participate in Israel's privatization program. Investments in regulated industries (e.g. banking, insurance), however, require prior government approval. Investments in certain sectors may require a government license. Other regulations may apply, though usually on a national treatment basis.

The Investment Promotion Center of the Ministry of Industry and Trade seeks to encourage potential investors to invest in Israel. The Center stresses Israel's developed infrastructure, educated work force, open economy, and ties to the U.S. and Europe, and provides information about investment incentives available in Israel (details are discussed in the section Performance Requirements and Incentives).

Conversion and Transfer Policies

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Israel's foreign exchange liberalization process was completed on January 1, 2003, when the last restrictions placed on the ability of institutional investors to invest abroad

were removed. Foreign-currency controls have been completely abolished, and the Israeli shekel has become a freely convertible currency. Israeli individuals can invest, without restriction, in foreign markets. Foreign investors can open shekel accounts that allow them to invest freely in Israeli companies and securities. These shekel accounts are fully convertible into foreign exchange.

Most transactions must be carried out through an authorized dealer. An authorized dealer is a banking institution licensed to arrange, inter alia, foreign currency transactions for its clients. The authorized dealer must report large foreign exchange transactions to the Controller of Foreign Currency. There are no limitations or significant delays in the remittance of profits, debt service and capital gains.

Expropriation and Compensation

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There have been no expropriations of U.S.-owned businesses in Israel in the recent past. Israeli law requires adequate payment, with interest from day of expropriation until final payment, in cases of expropriation.

Dispute Settlement

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Israel has a written and consistently applied commercial law based on the British Companies Act of 1948 as amended. Israel's commercial law contains standard provisions governing company bankruptcy and liquidation. Personal bankruptcy is covered by a separate bankruptcy ordinance. Monetary judgments are always awarded in local currency.

The GOI accepts binding international arbitration of investment disputes between foreign investors and the state. Israel is a member of the International Center for the Settlement of Investment Disputes (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

Performance Requirements and Incentives

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There are no universal performance requirements on investments, but performance requirements, including investment requirements, are often included in sales contracts with the government. In some sectors, there is a requirement that Israelis own a percentage of a company. Israel's visa and residency requirements are not onerous. The GOI does not impose preferential policies on exports by foreign investors. Israel complies with TRIMS.

The Israeli government offers a wide variety of investment and business incentives to both domestic and foreign investors who meet certain requirements. Among these are grants, tax incentives, marketing and training assistance, technological incubators, incentives for investment particularly in research and development (R&D) and the hi-tech industry and in specified regions of the country. All benefits available to Israelis are also available to foreign investors, who in some cases may enjoy even more generous tax treatment than domestic investors. Some of the benefits and requirements are described below.

For complete information, potential investors should contact:

Investment Promotion Center

Ministry of Industry, Trade and Labor
5 Bank of Israel Street,
Jerusalem 91036
Tel: 972-2-666-2607
Fax: 972-2-666-2938
E-Mail: InvestinIsrael@moital.gov.il

Israel Investment Center

Ministry of Industry, Trade and Labor
5 Bank of Israel Street,
Jerusalem 91036 490.
Tel: 972-2-666.2236
Fax: 972-2-666.2905



Ministry asks that requests be in writing.

Israeli laws that authorize investment incentives include the Encouragement of Capital Investments Law, 1959 (with amendments); the Encouragement of Industry (Taxes) Law, 1969; the Encouragement of Industrial Research and Development Law, 1984; and the Law for the Encouragement of Investments (Capital Intensive Companies), 1990.

To receive certain investment incentives, an investment must receive "Approved Enterprise" status for grants and Beneficiary Enterprise status by the Tax Authority if it chooses one of the tax benefits programs. It is then eligible for incentives, such as grants of up to 24% of tangible fixed assets (grants program only) and/or reduced tax rates, tax exemptions and other tax related benefits.

To obtain this designation, an investor must apply to the Investment Center (not the same as the Investment Promotion Center), providing physical and financial details of the projected investment; background information on the investors; sources of financing; forecasts of sales, operating results, cash flow, and "break-even point"; and projected manpower requirements. Among the criteria applied by the Investment Center in deciding whether to grant approved enterprise status is a legally mandated cost-benefit analysis that evaluates the long-term value of the project from the point of view of the Israeli economy. Government approval for the incentives program is not given if investment in a proposed area is considered saturated. Investors may be required to disclose proprietary information in the application for approved status.

Investment incentives are outlined in the Law for the Encouragement of Capital Investment which was recently revised. The new Law differs from the previous one in that it adds a new path for incentives - an automatic one. The incentive programs can be divided into 2 main types:

1. The Grants program - administered by the Israel Investment Center (IIC), a department of the Ministry of Industry, Trade and Labor;
2. The Automatic Tax Benefits program administered by the Tax Authorities.

To qualify, investment projects must meet certain criteria including: international competitiveness, minimal designated investment, high added value and registration of the company in Israel.

Once these criteria are met, the enterprise gains **Approved Enterprise** status from the IIC if it chooses the grants program and **Preferred Enterprise** status by the Tax

Authority if it chooses one of the tax benefits programs. It is then eligible for incentives, such as grants of up to 24% of tangible fixed assets (grants program only) and/or reduced tax rates, tax exemptions and other tax related benefits.

Summary of Program Benefits

Grants Program

- A. Investment Grants according to the National Priority Area in which the enterprise is located as per Table 1.
- B. Tax benefits as per Table 2
- C. Accelerated depreciation

Tax programs

- A. Tax benefits (see details below)
- B. Accelerated depreciation

Location

The government grants scheme is affected in part by the location of the company's activities. In December 2009 the cabinet approved a new national priority map which focuses on the Negev, Galilee and Arab towns and villages, but it is still a work in progress. At present, the following in Israel have been declared National Priority Regions:

Priority Area A includes the Galilee, Jordan Valley, the Negev and Jerusalem (for hi-tech enterprises). Priority Area B includes the lower Galilee and northern Negev. Area C includes the rest of the country.

Grant Program

The amount of the government grant is calculated as a percentage of the original cost of land development and investment in buildings (except in Area C), in machinery and equipment. This cost includes installation and related expenses. The percentages are:

Table 1 - Investment grants table

	Priority Area A*	Priority Area B
Industrial projects Up to NIS 50 million **	24%	10%
Industrial projects Above NIS 50 million	20%	10%
Investment in hotels and other accommodations	24%	-
Other tourist enterprises	15%	-

* Plus an additional grant of up to 8% for companies locating in the south ("Negev Law") AND first two years of benefits an exemption from company tax

** Or located in low socioeconomic area

Time to Completion

Under the provisions of the grants scheme, 20 percent of the approved program for industrial projects should be completed within 24 months from the date of approval. The investment program should be completed within five years from the date of approval.

Tax Benefits

a) Grant Program

Companies choosing the grant program receive tax benefits as well for a period of seven consecutive years, starting with the first year in which the company earns taxable income (grants are not considered income).

Moreover, an Approved Investment located in Priority Area A is entitled to a complete tax exemption for the first two years.

Tax benefits are determined by the percentage of foreign control: the more foreign control in the enterprise, the higher the benefits. If at least 25% of an Approved Enterprise's owners are foreign investors, the enterprise is eligible for a 10-year period of tax benefits.

See table below (all figures are in %)

Table 2 - Tax benefits table

	Company owned by Foreign Investors				Company that is not an Approved Enterprise
Tax rates by ownership stake (in %)	90 to 100	74 to 90	49 to 74	Less than 49	
Taxable Income	100	100	100	100	100
Company Tax	10	15	20	25	26
Balance	90	85	80	75	74
Dividend tax: 15% of balance	13.5	12.75	12	11.25	18.5*
Total tax on distributed income	23.5	27.75	32	36.25	44.5

* Based on 25% standard dividend tax for controlling shareholder

b) Automatic Tax Programs

There are 3 types of automatic tax programs:

1. Alternative tax program
2. Priority area program
3. Strategic program

- 1. Alternative tax program:** A company can choose this program by waiving the project's rights to a grant and will receive **complete exemption** from corporate tax on its undistributed income, as detailed below.

Priority Area A:
10 years of complete tax exemption

Priority Area B:
6 years of complete tax exemption and 1 year of tax benefits, 4 years for a foreign investor*

Area C / Central Israel:
2 years of complete tax exemption and 5 years of tax benefits, 8 years for a foreign investor*

* *As in table 2*

Remark: Should the company decide to pay dividends during a period when the tax exemption is in effect the dividend tax rate will be 15% and the corporate tax rate the company was exempted from (as per the tax benefit table above) will be payable.

2. Priority area program: For companies investing in Priority Area A, benefits include:

- a. Corporate tax rate of 11.5%
 - b. Dividend tax rate of 15%, total tax rate of 24.5%
- For a foreign investor, the dividend tax rate is 4% and a total tax rate of 15%.

The benefit period is for 7 years. If at least 25% of the company is foreign owned then the benefit period is 10 years.

A. **Greenfield (new) investment-** at least 300,000 NIS

B. **Expansion-** at least 300,000 NIS **or** an amount equal to the "approved rate" of the productive assets (the higher of the two) as in the table below:

Value of productive assets (mil NIS)	Required investment as % of the productive assets
Up 140	12%
140-500	7%
500+	5%

3. Strategic program: This program is intended mainly for large multi-national companies meeting the following criteria: an annual turnover of at least 13 billion NIS and a minimum investment of 600 million NIS in the project itself. Location: Priority Area A

Benefits include:

- a. Corporate tax – 0% (i.e. complete tax exemption)
- b. Dividend tax – 0%
- c. Benefit period – 10 years

Accelerated Depreciation

An **Approved/Preferred** Investment is entitled to accelerated depreciation on its property and equipment. During the first five-year period of operation for these assets, the company may depreciate its assets for tax purposes at 200% of the ordinary rate of depreciation for equipment and 400% of the ordinary rate for buildings. Depreciation on buildings shall not exceed 20% per annum.

Advanced Rulings: To provide greater certainty, investors choosing one of the automatic tax programs may apply to the Israel Tax Authority for an advanced (or pre-) ruling to ascertain the scope of the benefits he will be entitled to if he meets the investment conditions as stated in the Law.

A Foreign Investment Intensive Company: A company that is 90% foreign owned, which has an approved investment program of at least \$20 million and is internationally competitive, will be granted an extra 5 years of tax benefits.

Right to Private Ownership and Establishment

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The Israeli legal system protects the right of both foreign and domestic entities to establish and own business enterprises, as well as the right to engage in remunerative activity. Private enterprises are free to establish, acquire, and dispose of interests in business enterprises. As part of its current privatization efforts, the Israeli government actively encourages foreign investment in privatizing government owned entities.

Israel has a law against unfair competition. It is government policy to equalize competition between private and public enterprises, although the existence of monopolies and oligopolies in several sectors stifles competition. In the case of monopolies, defined as entities that supply more than 50% of the market, the government controls prices.

Protection of Property Rights

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Israel has a modern legal system based on British common law that provides effective means for enforcing property and contractual rights. Courts are independent. Israeli civil procedures provide that judgments of foreign courts may be accepted and enforced by local courts. Secured interests in property are recognized and enforced by the Israeli judicial system. A reliable system of recording such security interests exists.

Patent protection is provided for twenty years from filing. Both product and process patent protection for pharmaceuticals are permitted. However the Israeli patent system still allows for pre-grant opposition to patents, which may result in significant delays for some applicants. Israel employs compulsory licensing in very limited circumstances, mostly when the product is not being supplied in Israel on reasonable terms.

Israel is a Member of the WTO and the World Intellectual Property Organization (WIPO). It is a signatory to the Berne Convention for the Protection of Literary and Artistic Works, the Universal Copyright Convention, the Paris Convention for the Protection of Industrial Property, and the Patent Cooperation Treaty. Israel was obligated to implement the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) by January 1, 2000.

Of particular importance is the inadequate protection against unfair commercial use of data generated to obtain marketing approval for pharmaceuticals. Administrative delays at the Ministry of Health further erode the ability of U.S. pharmaceutical companies to obtain a fair term of protection, even if they submit registration requests in Israel immediately upon approval in the United States. Israel's use of a pre-grant opposition system for patents impairs the ability of rights holders to protect innovation. In 2005,

Israel reduced the term of extension of pharmaceutical patent protection provided to compensate for delays in obtaining regulatory approval of a drug. The 2005 legislation has discouraged U.S. companies from substantial investment in the health sector.

Investors in real property, whether personal or commercial, should note that Israel is negotiating with the Palestinian Authority to determine the final status of the Israeli-occupied West Bank. While the final status negotiations are likely to ensure adequate protection of property rights in the event of a change in sovereign authority, investors should factor possible sovereignty changes into their investment decisions.

Copyright

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Israel's present copyright law is based on the United Kingdom Copyright Act of 1911, with subsequent amendments. Protections include the exclusive right to (a) copy or reproduce the work; (b) produce, reproduce, perform or publish translations; (c) publicly perform plays or novels; and (d) make recordings of literary, dramatic or musical works. Criminal penalties are also provided for certain commercial infringing activities.

The Knesset recently passed new copyright legislation. In general, this law is an improvement over the old Israeli law, in that it is more modern in its structure, terminology and scope. Temporary copies are explicitly protected and a "making available" right is explicitly provided. Under this law, a person who is a non-Israeli national has no rights in their sound recordings that were not published for the first time in Israel, unless the person is a national of a country that has an agreement with Israel concerning sound recordings. In the case of the United States, the Israeli government promulgated an order which implements a 1950 bilateral agreement between Israel and the United States which does protect U.S. sound recordings.

The term of protection for sound recordings is 50 years; for other works, it is the lifetime of the author plus 70 years.

Copyright law in Israel also falls short of certain protections that have become common in the copyright laws of developed countries including, protection of "technological protection measures," "rights management information," provisions related to Internet service provider liability and safe harbors and parallel import protection. Israel has also not acceded to the "WIPO Internet Treaties."

Transparency of Regulatory System

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It is government policy to encourage increased competition through market liberalization and deregulation, but tax, labor, health, and safety laws can be impediments to the foreign investor. Although the current trend is towards deregulation, Israel's bureaucracy can still be difficult to navigate, especially for the foreign investor unfamiliar with the system. It is important that potential investors get approvals or other commitments made by regulatory officials in writing before proceeding, rather than relying on unofficial oral promises.

Israel is a signatory to the WTO Agreement on Government Procurement (GPA), which covers most Israeli government entities and government-owned corporations. Most of the country's open international public tenders are published in the local press.

However, government-owned corporations make extensive use of selective tendering procedures. In addition, the lack of transparency in the public procurement process discourages U.S. companies from participating in major projects and disadvantages those that choose to compete. Enforcement of the public procurement laws and regulations is not consistent.

Efficient Capital Markets and Portfolio Investment

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Credit is allocated on market terms. Various credit instruments are available to the private sector, and foreign investors can receive credit on the local market. Legal, regulatory, and accounting systems are transparent and conform to international norms, although the prevalence of inflation-adjusted accounting means that there are differences from U.S. accounting principles.

Three large banks - Bank Hapoalim, Bank Leumi, and Israel Discount Bank - dominate Israel's banking sector. Bank Leumi had assets of USD 86.6 billion at the end of 2008; Bank Hapoalim had assets of USD 85.5 billion at the end of 2008, and Discount Bank, the third largest bank, had assets of USD 50.7 billion at the end of 2008. Bank Hapoalim was fully privatized in 2000. A little more than 10% of the shares of Leumi remain in the hands of the State of Israel, and the bank remains on the agenda of the Government of Israel to complete privatization. A group led by Matthew Bronfman purchased 26% of the shares of Discount in 2005. The group has the right to purchase an additional 25%, which remains in the hands of the government.

Many Israeli firms are not publicly traded or are controlled through integrated holding companies. In the case of publicly traded firms where ownership is widely dispersed, the practice of "cross-shareholding" and "stable shareholder" arrangements to prevent mergers and acquisitions is common, but not directed in particular at preventing potential foreign investment. Hostile takeovers are a virtually unknown phenomenon in Israel, given the high concentration of ownership of most firms.

Israel has no laws or regulations regarding the adoption by private firms of articles of incorporation or association that limit or prohibit foreign investment, participation, or control.

Political Violence

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Israel is a parliamentary democracy with a stable domestic environment. Nonetheless, the unresolved conflict between Israel and the Palestinians means that the potential for politically inspired violence and terrorism exists. The State Department web site provides updated information on travel advisories: <http://travel.state.gov>

Israel signed peace treaties with Egypt (1979) and Jordan (1994), and its borders with them are open. The borders with Lebanon and Syria are closed, and the potential for violent incidents remains, the most recent example being the 2007 conflict with Hezbollah.

Corruption

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Bribery and other forms of corruption are illegal under several Israeli laws and Civil Service regulations. Israel became a signatory to the OECD Bribery convention in November 2008. There are several NGOs that focus on public sector ethics. Transparency International has a local chapter in Israel.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/docs/dojdocb.html>.

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Israel is party to OECD Antibribery Convention, the UN Convention, but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government

strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Israel has adopted the Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Israel has signed and ratified the convention.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) Israel is neither a member of the OAS or signatory to the Convention.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) Israel is not a signatory.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website:

<http://www.ustr.gov/trade-agreements/free-trade-agreements>. Israel has a free trade agreement (FTA) in place with the United States, which came into force in 1985. More information can be found at www.ustr.gov/trade-agreements/free-trade-agreements.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the antibribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.
- Additional country information related to corruption can be found in the U.S. State Department’s annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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Israel has protection of investment agreements with Albania, Argentina, Armenia, Belarus, Bulgaria, Croatia, Cyprus, Czech Republic, El Salvador, Estonia, Ethiopia, Georgia, Germany, Hungary, India, Kazakhstan, Latvia, Lithuania, Moldova, Mongolia, Poland, Romania, Serbia-Montenegro, Slovakia, Slovenia, South Korea, Thailand, Turkey, Turkmenistan, Ukraine, Uruguay, Uzbekistan. Agreements awaiting ratification include China, Guatemala, South Africa, and Azerbaijan. Agreement initiated with Peru.

OPIC and Other Investment Insurance Programs

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OPIC is involved in several projects in Israel and also finances projects sponsored by U.S. investors in Israel, but not in the Golan Heights. Israel is a member of the Multilateral Investment Guarantee Agency (MIGA).

Labor

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Israel's civilian labor force numbers approximately three million people. Highly skilled and well educated, the Israeli labor force is the economy's major asset. More than 40% of the work force has more than 13 years of education and over 22% have 16 or more years of education. More than 30% of university students specialize in fields with high industrial R&D potential, including engineering, mathematics, physical sciences, and medicine. According to the Investment Promotion Center, there are more than 135 scientists out of every 100,000 workers, the highest in the world. The rapid growth of Israel's high-tech industries in the late 1990s increased the demand for workers with specialized skills. However, in the last few years Israel consistently ranks at the end of the list of Western countries in international student assessment tests.

As a result of the difficult security situation, global slowdown, and slowdown in the high tech sector at the beginning of the decade, unemployment reached a level of 10.7% in 2003, and since that time declined each year, reaching a level of 6.1% in 2008, a level not seen since the mid 1990's. In light of the economic crisis, unemployment increased to 7.7% in 2009. The number of Palestinian workers had declined drastically due to security concerns, but in 2008 totaled 61,000, up 22% from 50,000 in 2007. The number of legal foreign workers had declined significantly after implementation of the Economic Reform plan in 2009 which intended to reduce the number of foreign workers in order to encourage employment of Israelis. The average number of foreign workers in 2009 was around 255,000 foreign workers, including legal and illegal, which is lower than 2008's 269,000 foreign workers on average.

The national labor federation, the Histadrut, organizes about one-third of Israeli workers. Collective bargaining negotiations in the public sector take place between the Histadrut and government entities. In the private sector, negotiations at the national level between the Histadrut and the employers association are supplemented by local negotiations to finalize details. The number of strikes has declined significantly as the public sector has gotten smaller. However, strikes remain a viable negotiating vehicle in many difficult wage negotiations.

Israel strictly observes the Friday afternoon to Saturday afternoon Sabbath and special permits must be obtained from the government authorizing Sabbath employment. At the

age of 18, most Israelis are required to perform 2-3 years of national service. Until age 50, Israeli males are required to perform 30-50 days of military reserve duty annually, during which time they receive compensation from national insurance companies.

Foreign-Trade Zones/Free Ports

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Israel has one free trade zone, the Red Sea port city of Eilat. In addition to the Eilat Free Trade Zone, there are three ports that offer free trade: Haifa Port (including Kishon), the Port of Ashdod and the Port of Eilat.

The GOI has plans to expand and upgrade the major ports of Haifa (in the north) and Ashdod (in the center). There is good quality warehousing including cold storage in all of the major ports and trade zones, but current capacity may become inadequate in the face of growing demand

Foreign Direct Investment Statistics

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Foreign Direct Investments (FDI) for the first 9 months of 2009 totaled about USD 3.5 billion. In 2007 and 2008 FDI totaled USD 9 billion and USD 9.6 billion, respectively. FDI in Israel totaled USD 14.3 billion in 2006, an increase of almost 200% compared with FDI of USD 4.8 billion in 2005. The sharp increase was due in large part to Berkshire Hathaway's purchase of 80% of Iscar Metals for USD 4.4 billion and Hewlett Packard's purchase of Mercury Interactive for USD 4.5 billion.

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[Ministry of Industry & Trade](#)
[Investment Promotion Center](#)
[State Department Website](#)
[Multilateral Investment Guarantee Agency](#)
[The Overseas Private Investment Corporation](#)
[The National Committee for Labor Israel](#)
[Bank of Israel](#)

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Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

How Do I Get Paid (Methods of Payment)

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Israelis are generally reliable and pay on time. However, as there are always exceptions to the rule, common precautionary measures should be taken when doing business in Israel. The most common method of payment is by Letter of Credit (L/C). Collection without a L/C is not unusual, however. Cash Against Documents (CAD) is the most preferred mechanism by many Israeli importers. Since there is no guarantee of payment, as there is in a L/C transaction, some exporters prefer to collect an advance payment or an irrevocable bank guarantee on a certain portion of the sale. This practice is appropriate and recommended when there is no past relationship and experience with the buyer. A combination of L/C and CAD issued for the same Bill of Lading is also accepted by most local banks.

Payment schedules vary. The acceptable terms of payment range from EOM + 30 – EOM + 60 days. It is not unusual, for payment to be made after a 90 (sometimes 120) day period.

The local banking system provides sources of short and long-term credit and access to venture capital. Some importers have preferred to seek [U.S. Export-Import \(Ex-Im\) Bank](#) financing. Ex-Im Bank has most of the leading Israeli banks as correspondents and may supplement private sources of export financing with medium and long-term loans.

How Does the Banking System Operate

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Israel has a modern and sophisticated banking system. The remaining government-owned shares of the largest bank, Bank Hapoalim, were sold in 2000. In 2000, Citibank was the first large international bank to set up a full branch in Israel. HSBC soon followed suit. Bank of America also has a representative office in Israel. The government does not interfere in the day-to-day management of the banks. Most types of loans and project financing traditionally available in industrialized countries are available in Israel.

Foreign-Exchange Controls

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Israel abolished most of its foreign exchange controls in the 1990s. The last major restriction, on the amount Israeli institutional investors may invest overseas, was eliminated at the end of 2002.

U.S. Banks and Local Correspondent Banks

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Most U.S. banks maintain correspondent relationships with Israel's three leading banks - Bank Leumi, Bank Hapoalim, and the Israel Discount Bank, as well as with the Mizrahi Bank and the First International Bank of Israel. Many Israeli banks have their own subsidiaries in major U.S. cities. Interested parties should contact their U.S. banker or the Israeli banks in the United States directly for more detailed information on their respective services. Major correspondent banks are [Bank Hapoalim](#), [Bank Leumi Le-Israel](#), [First International Bank of Israel](#), [Israel Discount Bank](#) and [United Mizrahi Bank](#).

Project Financing

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The [U.S. Export-Import Bank \(Ex-Im Bank\)](#) and the [U.S. Overseas Private Investment Corporation \(OPIC\)](#) offer project financing and other financial services. Ex-Im Bank provides a range of financial programs ranging from medium and long term guarantees, insurance programs, working capital guarantee to project finance. The Project Finance Division provides financing to projects that are dependent on the project cash flows for repayment. For more information see the Ex-Im Bank website at <http://www.exim.gov>. OPIC supports U.S. investment in emerging markets through project loans and loan guarantees that provide medium to long-term funding to ventures involving significant equity and/or management participation by U.S. businesses. OPIC also provides insurance against a broad range of political risks. Rather than relying on sovereign or sponsor guarantees, OPIC's project financing program looks for repayment from the cash flows generated by the project. For projects sponsored by U.S. small businesses or cooperatives, financing may be provided through direct loans. These loans generally range in amount from \$2 million - \$10 million. Loan guarantees, which typically are used for larger projects, range in size from \$10 million - \$75 million, but in certain instances can be as high as \$200 million. For information, consult the OPIC website at <http://www.opic.gov>.

U.S. companies will find that Israel does not suffer from any lack of capital or trade financing. There are no unusual rules or regulations concerning export financing, apart from the foreign currency regulations noted above. Loans at market interest rates are available from commercial banks to finance the manufacture of exports including the import of raw materials and components for export products. Loans vary depending upon the raw material requirements, cost of conversion and collection timeframe.

U.S. exporters may find export financing and insurance available through commercial sources; City/State-sponsored export financing and loan guarantee programs; the [U.S. Small Business Administration \(SBA\)](#); the U.S. Export-Import Bank (Ex-Im Bank), which can provide U.S. exporters with export credit insurance, pre-export financing and working capital guarantees; and other sources. Ex-Im Bank can also provide established Israeli buyers with fixed-rate financing for their purchases from U.S. exporters. Ex-Im Bank's Environmental Export Insurance Policy provides enhanced short-term insurance for medium and long-term loans and guarantees for environmental exports, projects and services. Israel does not receive PL-480 or similar [U.S. Department of Agriculture](#)

(USDA) program commodity grants. USDA's GSM-102 funds and supplier credit guarantees are available but not sufficiently attractive to most parties. Information on these programs can be found at <http://www.fas.usda.gov>

For more details on Ex-Im Bank project financing please contact Commercial Specialist Alan Wielunski: Alan.Wielunski@trade.gov

Bilateral Funding Organizations

There are three bilateral U.S.-Israel Government funded organizations, which provide financing for joint R&D and research projects.

U.S.-Israel Binational Industrial Research and Development Foundation (BIRD)

BIRD supports joint industrial R&D projects designed to develop, manufacture, sell and support an innovative product. A pair of companies, one from each country, must conduct the project. BIRD often plays a proactive role in bringing together potential U.S. and Israeli strategic partners. BIRD's website is <http://www.birdf.com>.

U.S.-Israel Binational Science Foundation (BSF)

The BSF supports cooperative research projects of mutual interest to the United States and Israel, concerned with science and technology for peaceful purposes. The research must be conducted jointly by U.S. and Israeli researchers and may be conducted in either country. The BSF has a website at <http://www.bsf.org.il>

U.S.-Israel Binational Agricultural Research and Development Fund (BARD)

BARD funds, generated from a \$100 million endowment, finance cooperative agricultural research between scientists of the United States and Israel on topics considered to be of mutual benefit to the agriculture of both countries. BARD also supports international workshops and provides post-doctoral fellowships. For further information, consult the BARD website at <http://www.bard-isus.com>

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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Chapter 8: Business Travel

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Business Customs

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Israel's business environment has no particular business protocols; it mainly follows western US style conventions, which makes most U.S. businesspeople feel very comfortable in doing business in Israel.

American business travelers will find business dress in both the public and private sectors to be much less formal than in the U.S., however, formal dress can be seen in meetings with government officials and in high level executives companies.

Appointments can be made on fairly short notice, however, reconfirming appointments is advised, given that; most Israelis tend to have busy schedules. Israelis arrive well prepared for meetings and are very direct. It's desired to provide your hosts with an agenda outlining your objectives in advance. Business cards exchange is common although some may be less alerted by this practice. Therefore, provide your business card early on, and politely request one in return, if not offered and important.

In terms of language, English is widely spoken in the business community and in government offices, but knowing and using a few Hebrew words, especially introductory phrases and greetings, can be useful.

Travel Advisory

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U.S. travelers can refer to http://travel.state.gov/travel/cis_pa_tw/cis/cis_1064.html for the most up-to-date information on Travel Warnings and Visa Requirements for Israel.

Visa Requirements

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U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

Visa is not required for Americans traveling for tourism or short term business projects. Visitors are entitled to remain in Israel up to three months from the date of their arrival, in accordance with the conditions of the visa issued to them upon their entrance to Israel.

Visitors intending to work in Israel must submit a request to the Ministry of the Interior for a special visa.

For more information please visit:

http://www.mfa.gov.il/MFA/About+the+Ministry/Consular_affairs/Visas.htm#A/4

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>
<http://usembassy-israel.org.il/consular/acs/index.aspx>

Telecommunications

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Israel has a very competitive and dynamic telecommunications market with one of the highest mobile penetration rates in the world and one of the highest household broadband penetration rates as well.

In the mid-nineties, Internet and emailing became prevalent in Israel, since then it has tremendously improved, and has become a necessity in everyday life. In fact, Israelis are the second most active Internet users in the world, after Canada, according to a comScore survey of Internet usage. There are five main Internet service providers, *Bezeq international*, *NetVision*, *013 Barak*, and *012 smile*, all whom offer broadband Wireless Internet service to their clients.

It is estimated that Israel has one of the highest levels in the world of people who own and operate a cell phone on a daily basis. Cell phones for visitors are available for rental at Ben Gurion Airport or through hotels

Transportation

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Israel has an extensive road network that connects the entire country and has an advanced inland and international transport facilities. Rental cars, taxis and limousines with driver are readily available for U.S. Visitors. U.S. drivers may rent cars with a valid U.S. or international drivers' license.

One of the most notable advances in transport in Israel in recent years has been the modernization of the train system. Israel Railways has expanded and improved. Currently trains run more frequently to more destinations. Commuter trains run from Tel Aviv to most of the large cities from Nahariya in the north to Dimona in the south, including Jerusalem and Ben Gurion Airport. Extensive freight services are available and most often used between Haifa, the port in the north, and Ashdod, Israel's primary port in the south.

Ben Gurion International Airport offers connections to several international destinations. Ben Gurion is the country's center of air passenger and cargo operations. Several companies still provide internal flights between the major cities, most common Tel Aviv, Haifa to Eilat.

There is no public transportation on the Jewish Sabbath.

[Ben Gurion International Airport](#)
[Israel Railways](#)

Language

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Hebrew and Arabic are the two official languages of Israel. English is the third and principal international language, and Russian is also prevalent. Many signs in public places are in all three languages. Most Israelis are multilingual.

Health

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Modern medical care and medicines are available in Israel. Service may be somewhat limited on Fridays and Saturdays so special attention should be paid to making arrangements in advance if possible for service on these days. Travelers can find information written in English about emergency medical facilities and after-hours pharmacies in the "Jerusalem Post" newspaper.

Doctors and hospitals often expect immediate cash payment for health services. U.S. medical insurance is not always valid outside the United States. Supplemental medical insurance with specific overseas coverage has proven useful. The international traveler's website for the Center for Disease Control can be accessed at wwwnc.cdc.gov/travel.

Local Time, Business Hours, and Holidays

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Local Time: UTC + 2 hours (*7-6 hours ahead of Eastern Standard Time (EST), and observes daylight savings.*)

Business Hours: Sunday – Thursday from 8:00a.m – 5:00p.m. for most businesses and government Offices. Fridays are kept for private activities; however Israelis will contain business activities on Friday mornings if necessary.

The U.S. Embassy in Tel Aviv is open 8:00a.m. - 4:30p.m. Monday - Friday.

2011 Israeli Holidays: All businesses in Israel are closed

Passover	Tuesday April 19
Passover	Monday April 25
Israeli Independence Day	Tuesday May 10
Shavuot	Wednesday June 8
Rosh Hashanah (Day 1)	Thursday September 29
Rosh Hashanah (Day 2)	Friday September 30
Yom Kippur	Saturday October 8
Succot	Thursday October 13
Simhat Torah	Thursday October 20

Temporary Entry of Materials and Personal Belongings

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In general, Israeli practices follow international standards and conventions. Trade samples of negligible or low value (under US\$1), non-merchandisable samples and printed advertising material are usually exempt. Trade samples with a value up to US\$100 should have an ATA Carnet if brought into Israel. If valued over US\$100 an import license is required. Duty paid may be redeemed providing the goods are re-exported before the end of six months.

Video cameras and other electronic items must be declared upon entry to Israel. Please note that the Embassy has received reports from travelers that these items are sometimes seized by Israeli customs and security officials and are sometimes returned either damaged after an often lengthy delay, during which time the contents of the hard drive may be downloaded and the loss or compromise of sensitive business or personal data may occur. It is advisable to contact the Embassy of Israel in Washington or one of Israel's consulates in the U.S. for specific information regarding customs requirements.

Definitive information on customs requirements for the Palestinian Authority is not available. Please see our information on customs regulations at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1468.html. or <http://ozar.mof.gov.il/customs/eng/mainpage.htm>

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Online Internet Registration for U.S. citizens
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1064.html

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Chapter 9: Contacts, Market Research and Trade Events

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[U.S. Commercial Service Tel Aviv and Jerusalem](#)

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please [click here](#).

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: Market_Research_Feedback@trade.gov

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